

CITY OF ALAMEDA

Memorandum

To: Honorable Mayor and
Members of the City Council

From: Lisa Goldman
Acting City Manager

Date: March 15, 2011

Re: Adopt a Resolution Appropriating \$1.3 Million in Federal HOME Funds and Authorizing the Acting City Manager to Negotiate and Execute the Necessary Documents to Complete the Loan to Resources for Community Development for the Rehabilitation of 2428 Central Avenue (Islander Motel)

BACKGROUND

On November 16, 2010, the Community Improvement Commission of the City of Alameda (CIC) authorized the Interim Executive Director to negotiate and execute a purchase and sale agreement (PSA) for the Islander Motel property located at 2428 Central Avenue, and issue a Request for Qualifications (RFQ) to secure a development partner for conversion of the property from a motel to affordable workforce housing. The CIC also approved an \$150,000 appropriation to fund required due diligence reports and deposits. On January 19, 2011, the Housing Commission approved the selection of Resources for Community Development (RCD) as the development partner for acquisition and rehabilitation of the Islander Motel.

On February 1, 2011, the Housing Authority Board of Commissioners (BOC) authorized negotiation and execution of a PSA for the Islander Motel. In addition, on February 1, 2011, the CIC and BOC entered into a reimbursement agreement for a number of affordable housing projects that required the CIC to fund the projects from Affordable Housing Set-Aside Funds and for the Housing Authority to carry out the projects. One of the projects included in the reimbursement agreement is acquisition and rehabilitation of the Islander Motel.

On March 2, 2011, the CIC and BOC approved an Owner Participation Agreement (OPA) with RCD that contains each of the parties' obligations to fund and carry out the project. In addition to the CIC's \$9 million funding commitment for acquisition of the property and a portion of the rehabilitation costs, staff is recommending approval of a \$1.3 million HOME loan to RCD for project-related expenses, including pre-development activities.

DISCUSSION

The cities of Berkeley and Oakland are the only jurisdictions in Alameda County that receive HOME funds directly from the federal Department of Housing and Urban Development (HUD). The other jurisdictions, including the City of Alameda, together with the County of Alameda, are members of the Alameda County HOME consortium. The County Housing and Community Development Department administers the consortium and ensures compliance with HUD HOME program regulations on behalf of member jurisdictions. A key program requirement is that all HOME funds must be committed within two years of the Congressional release date for each funding cycle. If funds are not used within that timeframe, they must be returned to HUD. While each jurisdiction receives an annual "allocation" of HOME funds from the consortium based on its population, etc., HUD tracks the expenditure of funds on a consortium-wide basis.

The City currently has a multi-year HOME allocation of \$1.4 million that it needs to commit or risk having those funds returned to the consortium for use by other member jurisdictions. If those jurisdictions are unable to commit the funds, the funds will be returned to HUD. HOME monies are scarce affordable housing funds that should be retained by the City to build much-needed housing for very low- and low-income households. Given the need to spend these HOME funds, it is proposed that \$1.3 million be appropriated and that the City enter into a loan agreement with RCD for expenditure of the funds on the Islander project. The loan would accrue 3% interest, have a 50-year term, and principal payments would be deferred for the loan term. Pursuant to HOME requirements, there would be a 15-year affordability covenant on the property. Funds would be used for project expenses, including pre-development activities.

The CIC's funding commitment of \$9 million, coupled with the proposed \$1.3 million HOME loan, brings the total local commitment to \$10.3 million. The total project cost, including property acquisition, is \$17.6 million. Local funds would pay for 59% of the project cost. Additional funding would come from other State and Federal sources. On March 7, 2011, RCD submitted funding proposals to the County of Alameda totaling \$1.5 million. If RCD is awarded funding from the County, those funds will be used to reduce the local commitment to the project. Approval of the \$1.3 million HOME loan and the previously approved CIC funding commitment secures the necessary local match to allow RCD, and the Housing Authority as a co-applicant, to submit its funding application to the 9% Tax Credit Program on March 23, 2011.

FINANCIAL IMPACT

Funds in the amount of \$1.3 million are available in the HOME fund (Fund 235-6540-61060) in the Housing Authority/Housing Department budget. It is requested that \$1.3 million be appropriated to be loaned to RCD for project expenses related to rehabilitation of the Islander Motel for use as 62 units of workforce housing affordable to very low-income households. HOME funds are restricted federal funds that can be used solely for affordable housing purposes and, if not committed within two years of

Congressional release of funds, are returned to HUD. There is no impact on the City's General Fund from appropriating HOME funds.

ENVIRONMENTAL REVIEW

Acquisition and rehabilitation of the Islander Motel for re-use as permanent affordable housing is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines sections 15301 and 15332. Section 15301 addresses existing facilities and exempts minor alterations to existing structures. Section 15332 addresses in-fill development projects. Furthermore, the project does not trigger any of the exceptions in CEQA Guidelines section 15300.2 in that the project will not have any significant effects due to unusual circumstances or any cumulatively significant impacts and will not adversely impact any designated historic resources.

This project is subject to compliance with the National Environmental Policy Act (NEPA). Pursuant to NEPA, a Statutory Worksheet was completed and the County has determined that the project converted to exempt from NEPA per section 58.34.

RECOMMENDATION

Adopt a Resolution appropriating \$1.3 million in federal HOME Funds and authorizing the Acting City Manager to negotiate and execute the necessary documents to complete the loan to Resources for Community Development for the rehabilitation of 2428 Central Avenue (Islander Motel) consistent with the loan terms outlined in the staff report.

Respectfully submitted,



Michael T. Pucci
Executive Director

By:



Debbie Potter
Housing Development and Programs Manager

Approved as to funds and account,



Fred Marsh
Controller

CITY OF ALAMEDA RESOLUTION NO. _____

APPROPRIATING \$1.3 MILLION IN FEDERAL HOME FUNDS AND
AUTHORIZING THE ACTING CITY MANAGER TO NEGOTIATE
AND EXECUTE THE NECESSARY DOCUMENTS TO COMPLETE
THE LOAN TO RESOURCES FOR COMMUNITY DEVELOPMENT
FOR THE REHABILITATION OF 2428 CENTRAL AVENUE
(ISLANDER MOTEL)

WHEREAS, on January 19, 2011, the Housing Commission selected Resources for Community Development (RCD) as the Housing Authority of the City of Alameda's non-profit development partner to acquire and rehabilitate the property at 2428 Central Avenue (Islander Motel) as 62 units of workforce housing affordable to very low-income households; and

WHEREAS, on March 2, 2011, the Community Improvement Commission (CIC) and the Housing Authority Board of Commissioners approved an Owner Participation Agreement (OPA) with RCD that contains each of the parties' obligations to fund and carry out the project; and

WHEREAS, on March 2, 2011, the CIC adopted a resolution authorizing the issuance of Tax Allocation Housing Bonds in an amount not to exceed \$10 million with the net proceeds (\$9 million) to be used solely to provide financial assistance to the project; and

WHEREAS, on March 4, 2011, the Housing Authority and Stahl-Wooldridge Construction Company, a California partnership, entered into an Agreement for Purchase and Sale of Real Property and Joint Escrow Instructions pursuant to which the Housing Authority intends to purchase the property; and

WHEREAS, RCD and the Housing Authority intend to submit an application for funding to the 9% Tax Credit Program on March 23, 2011, and an additional \$1.3 million in local funding is required for a competitive application; and

WHEREAS, staff is recommending a \$1.3 million loan from federal HOME Investment Partnership monies that the City obtains through its membership in the Alameda County HOME Consortium, a program that is primarily designed to assist local governments to work with nonprofit housing development organizations to construct new affordable housing and/or to acquire and rehabilitate housing developments to ensure long-term affordability.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Alameda that the appropriation of \$1.3 million from HOME funds to Resources of Community Development is hereby approved and the Acting City

Manager is hereby authorized and directed to negotiate and execute any and all documents necessary to complete the transaction.

* * * * *

I, the undersigned, hereby certify that the forgoing Resolution was duly and regularly adopted and passed by the Council of the City of Alameda during the regular meeting of City Council on the 15th day of March, 2011, but the following vote to wit:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

IN WITNESS, WHEREOF, I have hereunto set my hand and affixed the official seal of said City this 16th day of March, 2011.

Lara Weisiger, City Clerk
City of Alameda